

CLEVELAND-MARSHALL COLLEGE OF LAW

*House Bill 220 Written Testimony
House Commerce & Labor Committee
June 5, 2019*

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Chairwoman Manning, Vice Chair Dean, Ranking Member Lepore-Hagan and members of the House Commerce and Labor Committee, my name is Brian Ray. I am a professor of law at Cleveland-Marshall College of Law where I direct the Center for Cybersecurity & Privacy Protection. I also have served on the CyberOhio Advisory Board since it was created in 2016.

Thank you for inviting me to testify in support of House Bill 220. Ohio has the potential to become a hub for talent, research, and applications in blockchain and related technology growth areas. Cleveland State University (CSU) in partnership with Case Western Reserve (CWRU) and the Cleveland Foundation have been working to realize this vision as part of the Internet of Things Collaborative and also as an academic partner in the Blockland initiative. I am an active participant in these and other efforts, but today I am testifying in my personal capacity based on the work I have done researching blockchain-related legal and regulatory developments.

The Blockland initiative was conceived and originally driven by the vision of a small group of entrepreneurs, businesspeople, academics and other civic leaders in Northeast Ohio with the goal of promoting real-world blockchain applications, while establishing and leading a blockchain ecosystem with support from private, public and philanthropic individuals and organizations. In the span of a little over one year, the initiative has expanded to include over ten “nodes” or focused sub-groups of hundreds of volunteers who are working to put the pieces in place for this ecosystem to develop and grow.

I have had the privilege of serving for the past year as co-lead of the Blockland Legal Node’s sub-group on Legislation. We are a small group of volunteer attorneys and attorney-technologists with expertise in blockchain technology focused on identifying legal and regulatory challenges to the adoption of blockchain technology by the private sector and government and developing legislation and policy proposals to remove those roadblocks.

Blockchain has enormous potential for innovation and economic growth. With the passage of Senate Bill 220 last year Ohio took the first step towards enabling the private sector to tap into that tremendous potential. House Bill 220 takes the next significant step by permitting Ohio’s governmental entities to become active partners in that effort both through modernizing public services and by creating the infrastructure for public-private collaborations using the technology.

Two distinctive features of blockchain technology are a distributed network and shared ledger of transactions. Put together these features create a smart, tamper-resistant way to transfer assets, record transactions and share information. The transparency through decentralization created by blockchain-based solutions allows parties who have access to this shared ledger to see and verify data directly without relying on a third party.

In the context of government services these features allow for much more efficient and reliable verification of key government records that are critical in multiple contexts, including land registries, vehicle registries, business licenses, birth and death certificates, and proof of insurance, among others. You heard today about the pioneering work Safechain is doing in the land registry area. Other states have developed programs to use blockchain solutions in similar contexts for corporate records, birth certificates and even absentee voting.¹

Blockchain solutions also could streamline processes, reduce redundancies, increase security, and ensure data integrity. One prominent example is the General Services Agency (GSA) FASTLane process. GSA uses this system to manage incoming proposals from vendors and it currently takes around 40 days to process those proposals, even under this expedited system. A GSA official recently hypothesized that a blockchain-based solution could reduce that time to less than 10 days and lower the direct costs of analyzing vendor proposals by up to 80 percent.²

We are still in the very early stages of understanding how blockchain technology can transform government services, and most governments are just beginning to experiment with the technology. Blockchain is not a panacea and determining how best to deploy the technology will require careful analysis and a deep understanding of the technology's strengths and weaknesses. HB 220 will allow Ohio to join the other visionary states who are experimenting with this transformative technology and to develop the experience and expertise necessary to make our state a leader in the field.

Thank you for the opportunity to testify in support of this important piece of legislation.

¹ U.S. Department of Homeland Security, "2018 Public-Private Analytic Exchange Program: Blockchain and Suitability for Government Applications," 27-33 (2018), available at https://www.dhs.gov/sites/default/files/publications/2018_AEP_Blockchain_and_Suitability_for_Government_Applications.pdf.

² Phil Goldstein, "Treasury, GSA See the Benefits of Blockchain," FedTech (2018), available at <https://fedtechmagazine.com/article/2018/01/treasury-gsa-see-benefits-blockchain>.